

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4261-01
Bill No.: HB 1636
Subject: Licenses - Motor Vehicle; Motor Vehicles; Revenue Department
Type: Original
Date: February 15, 2010

Bill Summary: This proposal allows the Department of Revenue to issue special event motor vehicle auction licenses to applicants auctioning certain vehicles.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Motor Vehicle Commission Fund | Unknown - Expected to be less than \$100,000 | Unknown - Expected to be less than \$100,000 | Unknown - Expected to be less than \$100,000 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | Unknown - Expected to be less than \$100,000 | Unknown - Expected to be less than \$100,000 | Unknown - Expected to be less than \$100,000 |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Courts Administrator** state this proposal will have no fiscal impact on the Courts.

Officials from the **Office of State Public Defender** and the **Department of Insurance, Financial Institutions and Professional Registration** state this proposal will have no fiscal impact on their respective agencies.

In response to a nearly identical proposal (SB 716 - FN 4074.01), officials from the **Office of Prosecution Services (OPS)** state this proposal will have no measurable impact on OPS or county prosecutors.

Officials from the **Department of Corrections (DOC)** stated that they could not predict the number of new commitments which could result from the creation of the offense(s) outlined in the proposal. An increase in commitments would depend on the utilization of prosecutors and the actual sentences imposed by the courts. If additional persons were sentenced to the custody of the DOC due to the provisions of this legislation, the DOC would incur a corresponding increase in operational costs either through incarceration (FY 2009 average \$16.04 per inmate, per day or an annual cost of \$5,855 per inmate) or through supervision provided by the Board of Probation and Parole (FY 2009 average \$3.71 per offender, per day or an annual cost of \$1,354 per offender). Supervision by the DOC through probation or incarceration would result in some additional costs, but DOC officials assume that the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

The following factors contribute to DOC's minimal assumption:

- DOC assumes the narrow scope of the crime will not encompass a large number of offenders.
- The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.
- The probability exists that offenders would be charged with a similar but more serious offense or that sentences may run concurrent to one another.

In summary, supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed the impact would be \$0 or a minimal amount that could be absorbed within existing resources.

ASSUMPTION (continued)

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the proposal. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Revenue (DOR)** assume procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$805 in FY 11. In addition, DOR will need to develop an application for the special event motor vehicle auction license and a form to report all vehicles included in the auction. These forms will be in electronic format. This will require 40 hours of overtime for a Management Analyst Specialist I, at a cost of \$805 in FY 11. The DOR web site will need to be updated to include the new information relating to this proposal which will require 10 hours of overtime for an Administrative Analyst III, at a cost of \$218 in FY 11. Currently, a Revenue Processing Tech I can process 6 dealer applications per hour and 50 dealer reports that the Department receives in paper form per hour. It is unknown how many of these special motor vehicle auction licenses will be applied for per year; therefore, DOR may need to request through the appropriations process additional FTE or overtime to process the applications for a special motor vehicle auction license as well as process and key the reports submitted for all vehicles taken to the auction.

Oversight assumes the administrative costs associated with a limited number of licenses issued would be minimal and would not create a significant impact on the DOR resources and budget. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriations process.

Officials from the **Department of Revenue (DOR)** assume there will be an unknown increase to the Motor Vehicle Commission Fund due to the \$1,000 special event motor vehicle auction license fee. DOR assumes there could also be an unknown increase to the Motor Vehicle Commission Fund from the \$500 administrative fee for every vehicle auctioned in violation of subsection 6 of the proposal.

ASSUMPTION (continued)

Oversight assumes the income resulting from license fees is minimal and income from violations is speculative. For fiscal note purposes only, **Oversight** will shown Unknown - Expected to be less than \$100,000 income for the Motor Vehicle Commission Fund.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2011 (10 Mo.) | FY 2012 | FY 2013 |
| MOTOR VEHICLE COMMISSION FUND | | | |

| | | | |
|--|--|--|--|
| <u>Income</u> - Department of Revenue - Fees | Unknown - Expected to be less than <u>\$100,000</u> | Unknown - Expected to be less than <u>\$100,000</u> | Unknown - Expected to be less than <u>\$100,000</u> |
|--|--|--|--|

| | | | |
|---|---|---|---|
| EXPECTED NET EFFECT ON MOTOR VEHICLE COMMISSION FUND | <u>Unknown - Expected to be less than \$100,000</u> | <u>Unknown - Expected to be less than \$100,000</u> | <u>Unknown - Expected to be less than \$100,000</u> |
|---|---|---|---|

| | | | |
|---|---------------------|------------|------------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2011 (10 Mo.) | FY 2012 | FY 2013 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

A small business conducting a special event motor vehicle auction would incur the expense of obtaining the license required by this proposal.

FISCAL DESCRIPTION

This proposed legislation allows the Department of Revenue (DOR) to issue a special event motor vehicle auction license to an applicant for the purpose of auctioning motor vehicles if 90% or more of the vehicles are at least 10 years old or older. Auctions can be held for no more than three consecutive days, but no more than two times in a calendar year by the same licensee. A

FISCAL DESCRIPTION (continued)

report must be sent to the Director of the Department of Revenue within 10 days of the conclusion of the auction on a department-approved form specifying the make, model, year, and vehicle identification number of every vehicle included in the auction. Anyone violating this provision will be guilty of a class A misdemeanor and will be charged a \$500 administrative fee per vehicle in violation of this provision payable to DOR.

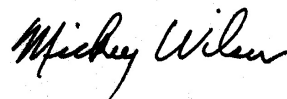
A special event motor vehicle auction will be considered a public auction for purposes of licensing and inspection of certain documents and odometer readings; however, the licensee will not be required to have a bona fide established place of business.

Applications to hold a special event motor vehicle auction must be received by DOR at least 90 days prior to the event. Applicants must be registered to conduct business in this state, pay a licensing fee of \$1,000, and be bonded or have an irrevocable letter of credit in the amount of \$100,000. Applicants will be responsible for ensuring that a sales tax license or special event sales tax license is obtained if required.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of State Courts Administrator
Department of Corrections
Department of Insurance, Financial Institutions and Professional Registration
Office of Prosecution Services
Office of State Public Defender
Office of Secretary of State
Administrative Rules Division



Mickey Wilson, CPA
Director

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